

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 EURE-00 AID-05 CEA-01

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NSC-05 L-03 XMB-02 PA-01 PRS-01 USIA-06 (ISO) W

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P R 111135Z JUL 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 2023

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

US DEL MTN GENEVA 096

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 ROME 9990

E.O. 11652: GDS

TAGS: EFIN, IT, EEC

SUBJECT: EC MINISTERS OF FINANCE MEETING JULY 10

REF: EC BRUSSELS 6135

PASS TREASURY & FRB

1. SUMMARY. TREASURY DIRECTOR GENERAL

PALUMBO DEBRIEFED TREASATT JULY 11 ON RESULTS OF EC FINANCE

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MINISTERS MEETING JULY 10. AT THE MEETING ITALIAN TREAS

MIN COLOMBO GAVE INTRODUCTORY SUMMING UP OF STATUS OF RECENT EC ECONOMIC AND FINANCIAL PROBLEMS AND CALLED FOR CLOSER COORDINATION OF EC POSITION IN MONETARY AND AID FIELDS. EC MINISTERS ONLY BRIEFLY DISCUSSED REPORT OF EC MONETARY COMMITTEE ON MONETARY REFORM PER REFTEL AND ASKED COMMITTEE TO CONTINUE WORK ON SUBJECT. EC SUMMIT MEETING JULY 16 AND 17 MAY TOUCH UPON EC ECONOMIC SITUATION AND INTERNATIONAL MONETARY QUESTIONS, POSSIBLY INCLUDING SOME DECISION ON FRENCH PROPOSAL FOR SPECIAL MONETARY CONFERENCE IN OCTOBER. END SUMMARY.

2. STATUS OF EC ECONOMIC COOPERATION. ITALIAN TREASURY MINISTER COLOMBO TREASURY MINISTER COLOMBO, ASSUMING CHAIRMANSHIP OF MINISTERS FOR LAST HALF 1975, GAVE BRIEF RECAPITULATION OF STATUS OF EC ECONOMIC AND MONETARY SITUATION AND CALLED FOR UNIFIED EC POSITIONS IN INTERNATIONAL FORA. COLOMBO MENTIONED RELATIVE FAILURE OF EC IN RECENT YEARS TO ADVANCE IN FIELD OF MONETARY INTEGRATION BUT HOPED THAT WITH RECONFIRMATION OF UK MEMBERSHIP, SOME MODERATE PROGRESS COULD BE MADE. HE ALSO REFERRED TO DISRUPTION OF PREVIOUS EFFORTS AT INTERNATIONAL MONETARY REFORM CAUSED BY ENERGY CRISIS AND SUBSEQUENT EFFORTS TO MAKE SOME PROGRESS IN LIMITED AREAS. HE REGRETTED THAT COUNTRIES HAD ATTEMPTED TO REDUCE THEIR BALANCE OF PAYMENTS DEFICITS TOO QUICKLY, NOTWITHSTANDING EARLIER AGREEMENT THAT COUNTRIES SHOULD NOT ADOPT RESTRICTIVE AND "BEGGAR THY NEIGHBOR" POLICIES. UNFORTUNATELY, DEPTH OF CURRENT ECONOMIC RECESSION IN COMMUNITY REFLECTED EXCESSIVE ZEAL TO RESTORE BALANCE OF PAYMENTS EQUILIBRIA. COLOMBO NOTED THAT ESTIMATES FOR ENTIRE EC AREA FOR 1975 INDICATE THAT COMMUNITY WILL BE IN OVERALL BALANCE WITH REST OF WORLD, ALTHOUGH SOME COUNTRIES WILL BE IN LARGE SURPLUS AND SOME IN LARGE DEFICIT. THIS IMPLIED THAT COMMUNITY SHOULD BE ABLE TO SELF-FINANCE DISEQUILIBRIA WITHIN EC. FINALLY, COLOMBO URGED GREATER COORDINATION OF DOMESTIC ECONOMIC POLICIES, GREATER CURRENCY STABILITY DURING COMING MONTHS AND URGED JOINT EC POSITION IN AID TO

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LDC'S THROUGH IBRD THIRD WINDOW AND IMF TRUST FUND HE CALLED FOR GREATER USE OF EC UNIT OF ACCOUNT, STRENGTHENING OF EUROPEAN MONETARY COOPERATION FUND, AND MADE FAVORABLE NOISES ABOUT POSSIBLE CREATION OF EC EXPORT-IMPORT BANK.

3. INTERNATIONAL MONETARY REFORM. PALUMBO SAID THAT HE FELT THAT EC WAS "SPINNING ITS WHEELS" ON INTERNATIONAL MONETARY REFORM. DOI FIVE DIRECTOR GENERAL OSSOLA HAD GIVEN

REPORT TO MINISTERS OF RESULTS OF JUNE 25-

27 EC MONETARY COMMITTEE MEETING AS REPORTED REFTEL.

ALTHOUGH A FEW QUESTIONS WERE ASKED BY MINISTERS, THERE WAS VERY LITTLE DISCUSSION OF SUBJECT, AND NO DECISIONS WERE MADE, EXCEPT TO ASK EC MONETARY COMMITTEE TO CONTINUE TO WORK ON THIS QUESTION(NEXT MEETING OF COMMITTEE WILL BE AUGUST 11). PALUMBO THOUGHT THAT MINISTERS RECOGNIZED THAT THERE WAS NO HOPE AT JULY 10 MEETING OF RESOLVING DIFFERENCES WITHIN COMMUNITY NOT TO MENTION RESOLVING PROBLEMS BETWEEN EC AND US. HE MENTIONED RECENT EFFORT BY IMF MANAGING DIRECTOR WITTEVEEN TO RECONCILE US-EC DIFFERENCES. ALTHOUGH THIS EFFORT HAD BEEN USEFUL, PALUMBO REPORTED BELIEF PREVIOUSLY EXPRESSED TO TREASATT THAT ONLY US AND FRENCH CAN RESOLVE THEIR DIFFERENCES BILATERALLY AND THAT OTHER EC COUNTRIES WOULD VERY LIKELY ACCEPT VIRTUALLY ANY COMPROMISE SOLUTION REACHED BY US AND FRANCE.

4. EC SUMMIT MEETING. PALUMBO THOUGHT THAT SINCE FINANCE MINISTERS AND FINANCIAL EXPERTS WOULD NOT BE PRESENT AT JULY 16-17 MEETING OF EC PRIME MINISTERS, ECONOMIC AND MONETARY MATTERS WOULD ONLY BE TOUCHED UPON LIGHTLY. PRESUMABLY, REFERENCE WOULD BE MADE TO SERIOUSNESS OF ECONOMIC RECESSION AND TO POLITICAL-ECONOMIC ASPECTS BOTH OF RECESSION AND OF FAILURE TO REACH AGREEMENT ON LIMITED INTERNATIONAL MONETARY REFORM. PALUMBO MENTIONED THAT FRENCH PRESIDENT GISCARD HAD PROPOSED AT RECENT PRESS BRIEFING SPECIAL MONETARY CONFERENCE TO BE HELD IN OCTOBER. HE BELIEVED THAT GISCARD HAD IN MIND HIGH-LEVEL MEETING OF BIG 5 SUPPLEMENTED BY ATTENDANCE OF CURRENT CHAIRMAN OF EC COUNCIL (I.E., ITALIANS). HE INTERPRETED THIS AS EFFORT BY FRENCH TO GIVE GREATER OFFICIAL SANCTION TO BIG 5, WHICH ITALIANS HAVE STRONGLY CRITICIZED IN PAST BECAUSE OF CONFIDENTIAL

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THEIR EXCLUSION. HE THOUGHT THAT SOME DECISION MIGHT BE MADE AT SUMMIT MEETING AS TO PROCEDURAL FOLLOW-UP TO FRENCH PROPOSALS. PALUMBO HOPED THAT SOME PROGRESS COULD

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 EURE-00 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01

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P R 111135Z JUL 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 2024

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

EC BRUSSELS

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C O N F I D E N T I A L SECTION 02 OF 02 ROME 9990

PASS TREASURY & FRB

BE MADE ON MONETARY REFORM AT IMF-IBRD MEETING, PARTICULARLY
SO AS TO HAVE CLEARER POSITION PRIOR TO UNGA SPECIAL
SESSION. IF MEETING OF BIG 5 WERE HELD IN OCTOBER, THIS
MIGHT ALSO ACCELERATE PROGRESS ON MONETARY REFORM PRIOR TO
THE INTERIM COMMITTEE MEETING IN JANUARY.

5. STATUS OF MONETARY REFORM PALUMBO EXPOUNDED AT SOME LENGTH
HIS CONCERN ABOUT IMPASSE ON INTERNATIONAL MONETARY REFORM ISSUES,
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BOTH FOR ECONOMIC AND FOR POLITICAL REASONS. HE MENTIONED IN
PARTICULAR NEED TO TAKE PRACTICAL STEPS TO SEE TO IT THAT
SDR ASSUMES GREATER ROLE IN MONETARY SYSTEM, AS WAS
ORIGINALLY ENVISAGED UNDER MONETARY REFORM PLAN. THIS
CONCERNED ALL ASPECTS OF SDR, E.G., AS A SOURCE OF

LIQUIDITY, AS A MEANS FOR OFFICIAL SETTLEMENT, ETC.
PALUMBO SEEMED INTERESTED IN PARTICULAR IN MAKING SOME
PROGRESS IN DEALING WITH DOLLAR OVERHANG AS HAD BEEN MENTIONED
BY FRB CHAIRMAN BURNS RECENTLY. THIS WAS REPETITION OF
VIEWS WHICH HE AND BOI VICE DIRECTOR GENERAL OSSOLA HAD
EXPRESSED RECENTLY TO TREASATT AND MAY BE INDICATION OF
NEW PUCH BY EC TO SHIFT FOCUS OF MONETARY REFORM TOWARD DOLLAR
CONSOLIDATION. TREASATT SUGGESTED THAT IF US WERE TO AGREE TO
SOME FORM OF DOLLAR CONSOLIDATION, THIS WOULD NO DOUBT EVEN FURTHER
STRENGTHEN US RESOLVE TO MAINTAIN FLEXIBILITY IN DOLLAR
EXCHANGE RATE.VOLPE

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